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When Procurement and Sales Collide

Two functions focus on tactics that prevent them from engaging with each other for mutual benefit

By Editorial Staff

Both Procurement and Sales functions recognize the value of being strategic in the practice of their respective professions, and yet they continue to dwell on tactics that put price ahead of total cost and that prevent the two sides from engaging with each other for mutual benefit, a new survey report from consulting firm Greybeard Advisors finds.

In its "Procurement and Sales Survey," Greybeard explored the knowledge, experience and perceptions

of executives from both functions through an online survey. *Supply & Demand Chain Executive* provided survey support for the project, as did *Sales & Marketing Management* magazine and the Procurement and Sales councils of the Manufacturers Alliance/MAPI. In all, 161 Procurement professionals and 106 Sales professionals participated.

The survey results revealed that both sides view the other as knowledgeable of market and company requirements. This seeming mutual respect, however, was not reflected elsewhere in the survey. For example, nine in ten (92 percent) of the Sales executives were skeptical of Procurement's willingness to share company requirements, business plans, processes, and product usage, including information regarding current forecasts/trends.

Conversely, the study found that Sales views Procurement as being receptive to recommendations that have a positive impact on working capital and/or cash flow, but Procurement doesn't view Sales as capable of delivering such proposals.

TKO for TCO?

The survey findings suggest that total cost of ownership (TKO) or

total value (TV) is taking a backseat to price-only decisions. Greybeard attributes this, in part, to the recession, which put a premium on delivering cost savings to the bottom line in the near term. However, the survey results also reflect the age-old mistrust between Procurement and Sales.

"The results show Procurement isn't persuaded that Sales proposals are as attentive to TCO/TV as they should be," the report finds. "More than

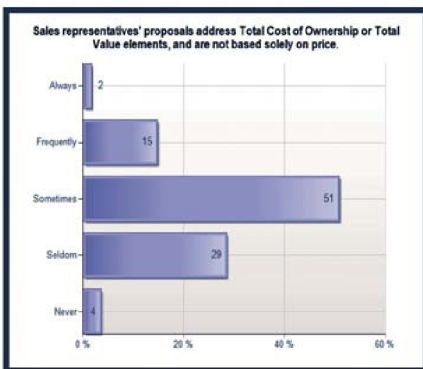
half of the responses (51 percent) point to a neutral 'Sometimes.' 33 percent (Seldom and Never) show that it doesn't happen enough." On the other side of the fence, "Sales asserts

Takeaways:

- Understand how Procurement and Sales perceive each other
- Assess your team's approach: tactical or strategic?
- Walk across the hall and get to know your counterparts in Sales

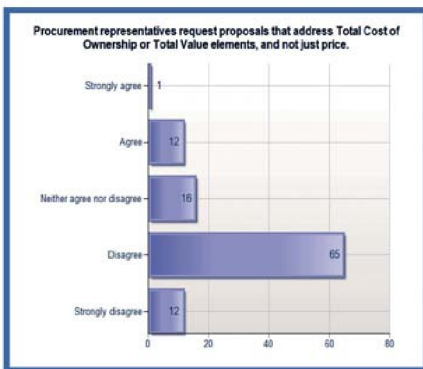
that Procurement isn't interested in TCO, with a significant 77 percent (Disagree and Strongly Disagree) declaring that Procurement is more interested in price than TCO and/or Total Value." (See **Illustration 1**.)

Those findings should alarm senior Procurement executives, who must now start supporting their companies in an expanding, rather than shrinking, economy, says Jim Baehr, a senior advisor with Greybeard. "The reality of being in a procurement organization is that price is an element, especially in times of duress," he says. "But procurement executives need to recognize that as we move into a healthier economy, they need to start doing things differently, and they need to start thinking much more strategically."



Procurement Answer

Source: Greybeard Advisors LLC



Sales Answer



The Search for “Silver Bullets”

Greybeard cautions that while the report could serve to foster a degree of mutual understanding between Procurement and Sales, that may not be enough to change the way the functions actually operate. “Given the opportunity to ‘peek around the curtain,’ the interest that seems to be at the forefront is to learn more about the ‘secret ways’ of both professions,” Greybeard writes, adding, “No matter how many times Sales or Procurement professionals are told that there are no ‘silver bullets’ they tend not to accept the answer.”

What should senior executives do, based on the study’s findings? Greybeard advises that Procurement and Sales leadership should look into assessing their respective teams’ level of tactical versus strategic behavior.

If the scale tips toward the tactical, executives should consider whether making a shift toward more strategic sales or procurement approaches would benefit the company, and then, if action is warranted, create a roadmap for short-term and long-term transformation.

Jim Baehr notes that one additional step that Procurement executives should consider is engaging with the Sales team within their own companies. “We don’t see a whole lot of that happening when we’re doing assessments or training,” Baehr says. “We encourage Procurement people to introduce themselves and then win some credibility with their Sales people, going so far as to stretch their resources and make some of their better procurement professionals available to go out on a sales call

or to engage on a cross-functional approach with the sales team to help them better understand the mindset of procurement.”

Where organizations already take a cross-functional approach that brings together Sales and Procurement, Baehr says that these companies are far more likely to have a strategic, holistic, total cost of ownership approach to selling and buying, because senior management understands strategy and understands the benefit of sharing across functions. But for the moment, Greybeard finds those companies to still be in the minority. “It’s something that you would think should be taken for granted now, but that’s not the case,” Baehr concludes. ■

A link to the full report on the Greybeard survey can be found at www.SDCExec.com/13245



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